

CENTRAL INTELLIGENCE AGENCY

REPORT

INFORMATION REPORT

CD NO.

25X1

COUNTRY East Germany

DATE DISTR. 31 August 1955

SUBJECT 1. Personnel Changes
2. VEB Schwarze Pumpe
3. Miscellaneous Economic Information
PLACE 4. Possible Heads of Defense Program
ACQUIRED 5. Rumored Reorganization of Ministeries

NO. OF ENCLS.
(LISTED BELOW)DATE OF
INFO.SUPPLEMENT TO
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THIS IS UNEVALUATED INFORMATION

1. Professor Meister (fnu), formerly with the East German Ministry for Machine Construction, has been appointed head of the Office for Standardization and Rationalization (Amt fuer Standardisierung und Typisierung) under the Ministry for Heavy Industry. He replaced Apel (fnu).

2. VEB 'Schwarze Pumpe', the reconstruction of which is considered to be one of the Ministry for Heavy Industry's most important projects under the Second Five Year Plan, is to be as large an establishment as the Eisenhuettenkombinat StalinStadt. It will produce ~~smelted coke~~ (Verhuetungsfachigkoks). 'Schwarze Pumpe' is located in the Senftenburg area, close to the new power station at Trattendorf. Hasso Grabner, former Director of VEB Montan in Leipzig, has been selected to take charge of the project.

he rapidly regained his former standing and is now handling the plan development and construction work of the 'Schwarze Pumpe' project.

3. On 1 January 1956, a new ordinance is to go into effect in East Germany reducing the prices of artificial rubber products. As ~~now~~ originally formulated by the State Planning Commission and the Ministry for Finance, the ordinance would have resulted in a reduction of 100,000,000 DME in the total income from artificial rubber during 1956. (In 1954 there had been an Akkumulation of 110,000,000 DME from Buna.) The Ministry for Heavy Industry objected to the extent of this reduction on the grounds that it would bring the artificial rubber prices down below the 1944 level in some cases. An agreement was finally reached whereby the total income reduction would amount to between 50 and 60,000,000 DME. The ordinance as originally planned (the 100,000,000 DME reduction) would have benefited the export sector of the economy by 53,000,000 DME, the nationalized enterprises (VEBs) by 46,000,000 DME, and private consumers by about 1,000,000 DME. It would have set the prices for various artificial rubber as follows:

Plasticator	- 2,500 DME per ton	Perbunan (average)	- 3,400 DME per ton
Pervinan	- 2,300 DME per ton	Perbunan extra	- 4,200 DME per ton
Buna	- 2,300 DME per ton	Buna latex	- 850 DME per ton

Prices under the ordinance in its final form are not yet known.

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CLASSIFICATION

STATE	#x	NAVY	#x	NSRB		DISTRIBUTION					
ARMY	#x	AIR	#x	FBI							

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4. The following tables were prepared in the Ministry for Heavy Industry and submitted to the Council of Ministers to show the development of the coal and the power and gas industries since 1950. Figures are in millions of DME.

Coal (Pit coal and Lignite)

<u>Year</u>	<u>Turnover (Umsatz)</u>	<u>Costs (Kosten)</u>	<u>Income (Ergebnis)</u>	<u>Profitability (Rentabilitaet)</u>
1950	803.6	873.	- 69.4	- 7.95 %
1951	944.		- 106.9	
1952	1,083.		- 130.	
1953	1,368.			
1954	1,402.	1,604. *		- 14.15 %
1955 - (Planned)	1,499.	1,559.		- 4.3 %

* The cost increase in 1954 was attributable to the floods and severe frosts during the early part of that year.

Power and Gas

<u>Year</u>	<u>Turnover</u>	<u>Costs</u>	<u>Income</u>	<u>Profitability</u>
1950	764.	635.	+ 128.	+ 20.24 %
1951				
1952				
1953				
1954	1,825. *	1,727.	+ 97.	+ 5.95 %
1955 - (Planned)	1,938.	1,804.	+ 133.	+ 7.77 %

* The rate of increase between 1950 and 1954 was due not only to new construction but also to the tying in of numerous local installations with the national power network.

5. It is currently being rumored in the Ministry for Heavy Industry that the East German defense program is to be managed jointly by Heinrich Rau and Willi Stoph. Rau, now Minister for Foreign and Domestic Trade, will handle economic affairs connected with rearmament, while Stoph, until recently Minister for the Interior, will be in charge of the military side of the program.

6. Heinrich Rau allegedly stated that a new vertical reorganization of the East German Ministries is being considered. Among other changes contemplated is a linking of Machine Construction with the Steel Industry, reportedly because Minister for Heavy Industry Fritz Selbmann's empire is becoming too large (at least according to Rau.)

7. On 8 July 1955, Kremer (fnu) of the Heavy Industry Ministry's Planning Department represented Selbmann at a conference in the Ministry for Heavy Machine Construction. The Ministries of Machine Construction and General Machine Construction also participated. Minister Erich Honecker chaired the meeting, allegedly stated during the course of the conference that the situation in the Heavy Machine Construction Ministry was satisfactory.

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2. VEB Schwarze Pumpe, the reconstruction of which is considered to be one of the Ministry for Heavy Industry's most important projects under the Second Five Year Plan, is to be as large an establishment as the GDR's most important steelworks. It will produce suitable coles (Vorknetungsfaschigkeits) Schwarze Pumpe is located in 25X1
Schriftburg/Spranberg area, close to the new power station at Frankfurt. Ernst Grabner, former director of VEB Rostan in Leipzig, has been assigned to full charge of the project.

3. On 1 January 1956, a new ordinance is to go into effect in East Germany reducing the prices of artificial rubber products. It was originally formulated by the State Planning Commission and the Ministry for Finance, the ordinance would have resulted in a reduction of 100,000,000 DEM in the total income from artificial rubber during 1956. (In 1954 there had been an accumulation of 110,000,000 DEM from Buna.) The Ministry for Heavy Industry objected to the extent of this reduction on the grounds that it would bring the artificial rubber prices down below the 1944 level in some cases. An agreement was finally reached whereby the total income reduction would amount to between 50 and 60,000,000 DEM. The ordinance as originally planned (the 100,000,000 DEM reduction) would have benefited the export sector of the economy by 53,000,000 DEM, the rationalized enterprises (VEBs) by 46,000,000 DEM, and private consumers by about 1,000,000 DEM. It would have set the prices for various 25X1
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7. On 8 July 1955, Kromer (fnu) of the Heavy Industry Ministry's Planning Department represented Selbmann at a conference in the Ministry for Heavy Machine Construction. The Ministries for Finance and General Machine Construction also participated. Minister Erich Apel, who chaired the meeting, allegedly stated during the course of the conference that the order (Auftrag) situation in the Heavy Machine Construction Ministry was extremely poor and that no contracts at all existed for 1956. The situation in the General Machine Construction Ministry was somewhat better.

Comments:

1. Possibly the Office for Standardization under the State Planning Commission.

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